

PUBLIC SERVICE COMMISSION OF WISCONSIN

Minutes and Informal Instructions of the Open Meeting of
Thursday, September 11, 2014

The Public Service Commission of Wisconsin (Commission) met as noticed. Present were Chairperson Montgomery, Commissioner Callisto and Commissioner Nowak.

Minutes

The Commission approved the minutes of the open meetings of Friday, August 29, 2014, and Thursday, September 4, 2014.

6650-CG-241 – Application of Wisconsin Gas LLC, as a Gas Public Utility, for Authority to Construct Facilities and Provide Gas Service in the Town of Avon, Rock County, Wisconsin

The Commission approved the Notice of Investigation and directed it be signed by the Secretary to the Commission on behalf of the Commission.

6680-SB-137 – Application of Wisconsin Power and Light Company for Authority to Issue and Sell up to \$500,000,000 Aggregate Principal Amount of its Debt Securities in One or More Series

The Commission approved the Notice of Investigation and directed it be signed by the Secretary to the Commission on behalf of the Commission.

3890-CW-104 – Application of Mosinee Municipal Water and Sewer Utility, Marathon County, Wisconsin, to Reconstruct the West Water Zone Treatment Facility

The Commission approved the Notice of Investigation and directed it be signed by the Secretary to the Commission on behalf of the Commission.

5-CE-143 – Joint Application of Wisconsin Power and Light Company, Wisconsin Public Service Corporation, and Madison Gas and Electric Company for a Certificate of Authority to Install a Selective Catalytic Reduction System at Columbia Energy Center Unit 2

The Commission approved the Notice of Proceeding and directed it be signed by the Secretary to the Commission on behalf of the Commission.

385-WR-104 – Application of Bayfield Water and Sewer Utility, Bayfield County, Wisconsin, for Authority to Increase Water Rates

The Commission approved the Notice of Proceeding and directed it be signed by the Secretary to the Commission on behalf of the Commission.

6620-WR-103 – Application of Wisconsin Dells Municipal Water Utility, Adams, Columbia, Juneau, and Sauk Counties, Wisconsin, for Authority to Increase Water Rates

The Commission approved the Notice of Proceeding and directed it be signed by the Secretary to the Commission on behalf of the Commission.

5-ES-107 – Strategic Energy Assessment for the Years January 1, 2014, Through December 31, 2020

The Commission modified and approved the final Strategic Energy Assessment (SEA) for issuance, pursuant to the requirements of Wis. Stat. § 196.491(2).

Commissioner Callisto dissented as to the language contained in footnote 17 of the redlined draft version of the final SEA and proposed his own language which should be incorporated into footnote 17 of the final SEA in regard to use of the term “energy tax.”

The Commission determined that pages 49 through 51 of the redlined draft final SEA did not contain the most current information in regard to the Focus on Energy program. The Commission directed that the text be updated and delegated review and approval of the changes relating to the Focus on Energy program to Commissioner Nowak prior to issuance of the final SEA.

3720-WR-108 – Application of Milwaukee Water Works, Milwaukee County, Wisconsin, for Authority to Increase Water Rates

The Commission discussed this matter and made determinations, including the following:

1. Commission staff’s estimated net payment in lieu of taxes expense of \$12.6 million is reasonable.

2. A reasonable return on rate base for Milwaukee Water Works (MWW) is 5.38 percent with no differential, authorizing 5.38 percent for both wholesale and retail customers.

Commissioner Callisto dissented and would have authorized a composite rate of return of 5.38 percent return on rate base with a 100 basis point differential between wholesale customers (6.25 percent return on rate base) and retail customers (5.25 percent return on rate base).

3. The maximum hour system demand ratio proposed by the Wholesale Customers, which does take into account gravity flows from elevated storage, is approved.
4. The retail customer class demand ratios to be used in this rate case shall be based 50 percent on those used in the last MWW rate case from the 1977 demand study prepared by Black & Veatch and 50 percent on MWW's demand ratios proposed in this proceeding, based upon the more recent demand study prepared by Trilogy Consulting.

MWW is directed to meet with its wholesale customers, Commission staff and other stakeholders to determine a better methodology for revising customer demand ratios and shall report back to the Commission within 60 days with a mutually agreeable proposal as to how the Trilogy study will be revised, modified or otherwise supplemented. The demand ratios from this updated demand study would then be used in MWW's next rate case.

5. MWW's proposed maximum hour customer demand ratios and MWW's proposed maximum day customer demand ratios shall be approved for the wholesale customer class.
6. It is appropriate to allocate the utility-financed mains in Account 343, Mains, to the transmission and distribution functions using the original cost approach.
7. It is appropriate to allocate a portion of the costs associated with the entire transmission and distribution system, including small distribution mains, to large industrial customers.
8. It is reasonable to accept MWW's revised main replacement program, which replaces 20 miles of main per year by 2020, as a minimal effort, and to include the following additional requirements:
 - a. MWW will be required to replace no less than its proposed 15 miles of main in 2015-2017, 18 miles in 2018-2019 and 20 miles in 2020;

- b. MWW will be required to hire an independent consultant to do a main replacement study and to submit a copy of the final report prepared by this consultant to the Commission;
 - c. MWW will be required to report to the Commission regarding the condition of its mains; and
 - d. MWW will be required to report to the Commission regarding the progress of its main replacement program.
9. It is reasonable to approve MWW's revised financing plan and further to put MWW on notice that it may need to issue more debt than the amount proposed in its revised financing plan.
10. It is not necessary to reopen the review of MWW's timeline for its meter replacement plan.
11. A public fire protection allocation will not be assigned to any wholesale customer, if that wholesale customer has an adequate distribution system.
- Commissioner Callisto dissented.
- MWW and the wholesale customers shall work with Commission staff to further evaluate alternative methods for allocating fire protection costs in MWW's next rate case, including further analysis of Commission staff's proposal offered in this proceeding. The Commission should also open a generic investigation to further study the methods of all water utilities of allocating fire protection costs.
12. It is appropriate to authorize the declining block rate design proposed by MWW with respect to its large industrial customers.
13. An economic development rate (EDR) shall not be included as part of MWW's rates. MWW shall work with Commission staff, the business community and other interested stakeholders to discuss the possibility of developing an EDR for consideration in MWW's next rate case.

The Commission determined that all future water rate cases in which differential rates of return are proposed shall come to the Commission for final review and determination and no longer be delegated to the division administrators for review and approval.

The Commission directed the Division of Water, Compliance and Consumer Affairs to draft an order in this docket, consistent with its discussion. The order shall be returned to the Commission for final review and approval.

CLOSED SESSION – The Commission recessed the open meeting, went into closed session under Wis. Stat. § 19.85(1)(g) to discuss the litigation matters noted below with legal counsel, and reconvened the open meeting pursuant to Wis. Stat. § 19.85(2).

Commissioner Callisto moved, pursuant to Wis. Stat. § 19.85(1)(g), that the Commission convene in closed session to discuss the litigation matters listed below. Commissioner Nowak seconded the motion. The motion was carried and the Commission went into closed session.

After a discussion in closed session, the Commission reconvened in open session.

FERC Docket Nos. ER14-1242-000, ER14-1242-001, ER14-1242-002, ER14-1243-000, ER14-1243-001, and ER14-1243-004 – Midcontinent Independent System Operator, Inc. [MISO]

FERC Docket No. EL14-34-000 – Public Service Commission of Wisconsin v. Midcontinent Independent System Operator, Inc.

Order on Complaint, Tariff Filings, and Rehearing, and Establishing Hearing and Settlement Procedures

MISO Compliance Filings

Response to Petitions for Rehearing

The Commission approved the filing of a Motion for Leave to Answer and Answer with the Federal Energy Regulatory Commission (FERC) in the above matters, consistent with its discussion.

The Commission delegated final review and approval of the Motion and Answer to the chief legal counsel prior to filing with FERC.

FERC Docket No. ER14-1724-000 – Midcontinent Independent System Operator, Inc.

System Support Resources Agreement with White Pine Electric Power, LLC, Regarding White Pine Unit No. 1

FERC Docket No. ER14-1725-000 – Midcontinent Independent System Operator, Inc.

Allocation of SSR Costs Associated with White Pine Unit No. 1, MISO Rate Schedule No. 43H

Review of Recent Filings with Legal Counsel and Potential Response

The Commission determined that it would file a protest to the compliance filing with FERC in the above matters, consistent with its discussion.

The Commission adjourned the meeting at 12:06 p.m.

Sandra J. Paske
Secretary to the Commission

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